

CITY OF TORRANCE
Torrance, California

Single Audit Report on Expenditures of Federal Awards

Year Ended June 30, 2013

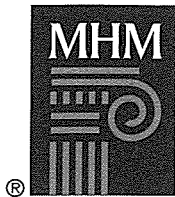
CITY OF TORRANCE, CALIFORNIA

Single Audit Report on Expenditures of Federal Awards

Year Ended June 30, 2013

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City Council
City of Torrance
Torrance, California

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance ("City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is defined to be a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The item identified in the accompanying schedule of findings and questioned costs as item 2013-01 conforms to this definition.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McLean P.C.

Irvine, California
December 18, 2013



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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the City of Torrance's ("City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Torrance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Torrance is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City of Torrance as of and for the year ended June 30, 2013, and have issued our report thereon dated December 18, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mayor Hoffman Melam P.C.

Irvine, California

March 3, 2014 except for the schedule of expenditures of federal awards, as to which the date is December 18, 2013.

CITY OF TORRANCE, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Grant name	Pass-through	Federal CFDA number	DUNS	Federal grant number or pass-through grantor's number	Authorized grant amount	State matching and other revenue	Total	Accrued (deferred) grant revenue, June 30, 2012	Drawdowns	Expenditures	Accrued (deferred) grant revenue, June 30, 2013
Department of Justice											
Edward Byrne Memorial Law Enforcement Assistance		16.808	06-567-4169	2009-SC-B8-0054	351,425	-	351,425	43,383	50,151	6,768	-
Edward Byrne Memorial Law Enforcement Assistance		16.738	06-567-4169	2012-DJ-BX-0793	21,861	-	21,861	-	-	21,861	-
Asset Forfeiture Program		16.000	06-567-4169	N/A	-	-	-	(1,330,006)	496,948	396,237	(1,430,717)
FY12 Solving Cold Cases with DNA		16.560	03-456-8522	2012-DN-BX-K011	93,175	-	93,175	-	4,992	9,179	4,187
Total Department of Justice					466,461	-	466,461	(1,286,623)	573,952	434,045	(1,426,530)
Department of the Treasury											
Asset Forfeiture		21.000	06-567-4169	N/A	-	-	-	(512,053)	6,240	4,495	(513,798)
Total Department of the Treasury					-	-	-	(512,053)	6,240	4,495	(513,798)
Department of Homeland Security											
Asset Forfeiture Program		97.000	06-567-4169	N/A	-	-	-	(1,007,488)	47,382	330,372	(724,498)
2008 Urban Areas Security Initiative		97.008	06-567-4169	2008-0006	810,139	-	810,139	495,122	495,122	-	-
2010 Urban Areas Security Initiative		97.008	06-567-4169	2010-0085	147,822	-	147,822	109,348	147,822	38,474	-
2011 Urban Areas Security Initiative		97.008	06-567-4169	2011-0085	171,785	-	171,785	-	-	9,161	9,161
					1,129,746	-	1,129,746	604,470	642,944	47,635	9,161
2010 Buffer Zone Protection Plan		97.078	06-567-4169	2010-BF-T0-0020	120,808	-	120,808	-	-	120,808	120,808
2009 Homeland Security Grant Program		97.067	06-567-4169	2009-019	62,105	-	62,105	19,397	56,699	37,302	-
Total Department of Homeland Security					1,312,659	-	1,312,659	(383,621)	747,025	536,117	(594,529)
Department of Transportation											
Intermodal Surface Transportation Efficiency Act	CALTRANS (T 30-3520)	20.205	06-567-4169	MOU/LOA-P0004314S	7,000,000	4,000,000	11,000,000	2,474,491	3,049,124	776,967	202,334
Intermodal Surface Transportation Efficiency Act (ARRA)	CALTRANS (T30-3529)	20.205	06-567-4169	MOU/LOA-P0004314S	3,125,678	-	3,125,678	312,418	312,418	-	-
Intermodal Surface Transportation Efficiency Act (ARRA)	CALTRANS(T51-3529)	20.205	06-567-4169	07-933325	1,206,369	-	1,206,369	24,127	24,127	-	-
Intermodal Surface Transportation Efficiency Act	CALTRANS (T51-3530)	20.205	06-567-4169	07-933325	597,504	-	597,504	11,950	11,950	-	-
					11,929,551	4,000,000	15,929,551	2,822,986	3,397,619	776,967	202,334
Federal Transit Administration		20.507	13-619-0357	CA-90-X887	2,047,279	431,265	2,478,544	-	225,497	287,958	62,461
Federal Transit Administration		20.507	13-619-0357	CA-90-Y105	6,059,000	1,343,581	7,401,581	-	178,450	218,563	40,113
Federal Transit Administration		20.507	13-619-0357	CA-95-X203	1,200,000	-	1,200,000	-	121,242	147,202	25,960
Federal Transit Administration		20.507	13-619-0357	CA-90-Y394	2,749,014	687,253	3,436,267	21,207	21,207	-	-
Federal Transit Administration		20.507	13-619-0357	CA-90-Y715	5,419,000	1,303,000	6,722,000	7,102	168,402	163,369	2,069
Federal Transit Administration		20.500	13-619-0357	CA-04-0132	2,354,240	802,010	3,156,250	2,639	-	-	-
Federal Transit Administration		20.507	13-619-0357	CA-90-Z046	3,786,465	239,362	4,025,827	-	-	2,250,000	2,250,000
Federal Transit Administration		20.507	13-619-0357	CA-95-X146	7,900,000	1,247,727	9,147,727	-	234,107	296,242	62,135
Federal Transit Administration		20.507	13-619-0357	CA-90-Y949	5,910,900	-	5,910,900	2,250,000	4,474,636	2,224,636	-
Federal Transit Administration		20.507	13-619-0357	MOU/MOU-MRBCMAQ	2,875,000	-	2,875,000	20,000	35,935	21,869	5,934
					40,239,898	6,054,198	46,354,096	2,300,948	5,462,115	5,609,839	2,448,672
Total Department of Transportation					52,229,449	10,054,198	62,283,647	5,123,934	8,859,734	6,386,806	2,651,006
Department of Housing and Urban Development											
CDBG - CDBGADMIN		14.218	06-567-4169	N/A	20,394	-	20,394	19,974	19,974	-	-
CDBG - Residential Sidewalk Ramping		14.218	06-567-4169	N/A	661,585	-	661,585	66,864	72,624	5,760	-
CDBG - Bus Stop Accessibility Improvements		14.218	06-567-4169	N/A	109,855	-	109,855	10,505	10,505	-	-
CDBG-Sidewalk Repair for Handicap Accessibility		14.218	06-567-4169	N/A	794,778	-	794,778	-	-	1,607	1,607
					1,586,612	-	1,586,612	97,343	103,103	7,367	1,607
Section 8 Housing Choice Vouchers		14.871	13-433-6879	CA-121	6,167,475	-	6,167,475	(1,104,579)	6,167,475	6,471,072	(800,982)
Total Department of Housing and Urban Development					7,754,087	-	7,754,087	(1,007,236)	6,270,578	6,478,439	(799,375)
Department of Energy											
Energy Efficiency and Conservation Block Grant (ARRA)		81.128	06-567-4169	DE-SC0001528	1,462,300	-	1,462,300	144,286	144,286	-	-
Total Department of Energy					1,462,300	-	1,462,300	144,286	144,286	-	-
					63,224,956	10,054,198	73,279,154	2,078,687	16,601,815	13,839,902	(683,226)

See accompanying notes to Schedule of Expenditures of Federal Awards

CITY OF TORRANCE, CALIFORNIA

Notes to the Schedule of Expenditures and Federal Awards

Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Scope of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City of Torrance, California ("City"). For the purposes of this schedule, federal awards include both federal awards received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

(c) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with or are within the amounts reported in the related federal financial reports.

(d) Relationship to Basic Financial Statements

Activities relating to all federal financial assistance programs are included in the City's basic financial statements as Special Revenue Funds.

(e) Subrecipients

The City of Torrance did not incur expenditures that were paid to subrecipients in the fiscal year ended June 30, 2013.

CITY OF TORRANCE, CALIFORNIA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

(A) Summary of Auditors' Results

- (1) An unmodified report was issued by the auditors on the financial statements of the auditee.
- (2) No material weaknesses and one significant deficiency in internal control over financial reporting were reported. This is identified below as finding 2013-01.
- (3) No noncompliance which is material to the financial statements of the auditee were reported.
- (4) No material weaknesses or significant deficiencies in internal control over compliance were reported.
- (5) An unmodified report was issued by the auditors on compliance for major programs.
- (6) The audit disclosed no audit findings which the auditor is required to report under paragraph .510(a) of OMB Circular A-133.
- (7) The major programs of the auditee were as follows:
 - U.S. Department of Transportation:
Federal Transit Administration – CFDA 20.507
 - U.S. Department of Housing and Urban Development:
Section 8 Housing Choice Vouchers – CFDA 14.871
- (8) The dollar threshold used to distinguish between Type A and Type B programs was \$415,197.
- (9) The auditee did not qualify as a low-risk auditee under Section 530 of OMB Circular A-133 for the year ended June 30, 2013 for purposes of major program determination.

(B) Findings Relating to the Basic Financial Statements Reported in Accordance with Government Auditing Standards

(2013-01) Adjustments Detected Through the Audit Process

Auditing standards require the communication of audit adjustments. The City recorded prior period adjustments relating to interest accruals associated with debt of the former redevelopment agency during the audit for the year ended June 30, 2013.

CITY OF TORRANCE, CALIFORNIA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

(B) Findings Relating to the Basic Financial Statements Reported in Accordance with Government Auditing Standards (Continued)

Recommendation:

Whenever possible, adjustments should be reflected in the accounting records prior to the start of the audit.

Management's Response Regarding Corrective Actions Planned:

Noted. The City will record all necessary adjustments before the audit starts. However there might be some new information subsequent that would necessitate some adjustments.

(C) Findings and Questioned Costs Relating to Federal Awards

There are no auditors' findings required to be reported in accordance with paragraph .510(a) of OMB Circular A-133.

CITY OF TORRANCE, CALIFORNIA

Summary Schedule of Prior Audit Findings

Year ended June 30, 2013

The following is the status of prior audit findings for the year ended June 30, 2012:

(2012-01) Department Communications Regarding Capital Projects

This issue was adequately resolved.